

## Frequently Asked Questions: Tax Year 2013 Tax Returns

**1. *How can people contact their local tax center to make an appointment?*** Please call your local tax center or contact them via their website, if applicable. Locations and phone numbers for all U.S. Army in Europe tax centers can be found [here](#).

**2. *What paperwork do I have to bring to the tax center?***

- a. Bring your DoD-issued ID card and official documentation of your Social Security Number / Individual Taxpayer Identification Number (ITIN)
- b. All W-2 Forms received from employers / Lohnsteuerbescheinigung.
- c. A voided check that shows your bank account and bank routing number
- d. In addition, bring appropriate documentation for relevant individual tax issues:
  - Form 1099 INT (interest statement)
  - Form 1099 DIV (dividend statement)
  - Form 1099R (pension / IRA distribution)
  - Original power of attorney, if filing for a spouse
  - Documentation of child care expenses paid last year
  - Documentation of Individual Retirement Accounts (IRAs)
  - Documentation supporting charitable contributions
  - Statements of interest expenses (mortgage, student loans)
  - Alimony information (copy of divorce or separation agreement)
  - Other relevant financial information (e.g., investment statements, rental reports, medical expenses, charitable contributions, or others)
  - Any documentation of any other income (U.S. or foreign)

*Internal Revenue Service forms and more information can be found [here](#).*

**3. *What services are available at the tax assistance centers?***

- a. Tax assistance centers will electronically file (e-file) taxes for eligible community members. The tax centers are also a resource for people who prepare their own taxes. E-filers and legal assistance attorneys can provide personal income tax advice, publications and other reference materials, and review prepared returns.
- b. Tax assistance centers are staffed by personnel trained and certified under the IRS Volunteer Income Tax Assistance program. These personnel are supervised by a legal assistance attorney and paralegal.

**4. *What resources are available to people who want to prepare their own tax returns?***

- a. The IRS offers taxpayers free help on federal tax questions and with filing a return. Assistance is available at any time on the IRS website at [www.irs.gov](http://www.irs.gov). Help is also available by telephone and in person.
- b. A few publications that are particularly useful for USAREUR community members:
  - Publication 17: "Your Federal Income Tax"
  - Publication 3: "Armed Forces' Guide"
  - Publication 54: "Tax Guide for U.S. Citizens and Resident Aliens Abroad"
  - Publication 519: "US Tax Guide for Non-Resident Aliens"

Eligible taxpayers who prepare their own taxes and need additional assistance can contact their tax assistance center. In addition to assisting with filing taxes, tax assistance centers can provide tax advice and help understanding the tax code. A full list of tax centers across U.S. Army Europe is available [here](#).

**5. *What are the major tax law changes for 2013?***

a. **The standard filing deadline is April 15** - Overseas filers receive an automatic filing extension until June 15 – as this happens to be a Sunday in 2014, the filing deadline for overseas filers is June 16 this year. The extension to file is not an extension to pay. Soldiers deployed to a qualified hazardous duty area during tax season receive additional time to file, pay any tax due or receive their refund. The Automatic 6-month extension to file your tax return is not completely automatic. You must request it by 15 April using Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.

b. **Change in tax rates.** The highest tax rate for ordinary income is 39.6%. The maximum tax rate of 15% on net capital gain and qualified dividends has increased to 20% for some taxpayers.

c. **Additional Medicare Tax.** Beginning in 2013, a 0.9% Additional Medicare Tax applies to Medicare wages, railroad retirement (RRTA) compensation, and self-employment income that are more than:

- \$125,000 if married filing separately,
- \$250,000 if married filing jointly, or
- \$200,000 for any other filing status.

d. **Personal exemption amount increased for certain taxpayers.** Your personal exemption is increased to \$3,900. But the amount is reduced if your adjusted gross income is more than:

- \$150,000 if married filing separately,
- \$250,000 if single,
- \$275,000 if head of household, or
- \$300,000 if any other filing status.

e. **Same-sex marriages.** If you have a same-sex spouse whom you legally married in a state (or foreign country) that recognizes same-sex marriage, you and your spouse generally must use the married filing jointly or married filing separately filing status on your 2013 return, even if you and your spouse now live in a state (or foreign country) that does not recognize same-sex marriage. “Same Sex Unions” or “Same Sex Registered Partnerships” are not treated as same-sex marriages. Show your documents to the local legal assistance office for a determination, whether your union qualifies as a “marriage.”

f. **Standard mileage rates.** The 2013 rate for business use of your car is increased to 56½ cents a mile. The 2013 rate for use of your car to get medical care is increased to 24 cents a mile. The 2013 rate for use of your car to move is increased to 24 cents a mile. See Publication 521, Moving Expenses.

**6. *What’s the difference between a tax deduction and a tax credit?*** A tax deduction is an amount which reduces the income used to compute tax. A tax deduction only saves you

the percentage of the deduction equal to the tax rate. For example, if you are taxed at a rate of 20 percent and you have a deduction of \$100 then you save \$20. While deductions reduce tax liability, they are not directly refundable. A tax credit reduces tax liability after it has already been computed. One dollar of tax credit actually saves you one dollar. Nonrefundable tax credits can only reduce your tax liability to zero. Refundable tax credits can result in payment to the taxpayer from the federal government.

7. ***Which tax credits might I be eligible for?***

a. **Earned Income Credit** – a refundable credit for taxpayers below an adjusted gross income threshold. For 2013, earned income and Adjusted Gross Income must be less than:

- \$46,227 (\$51,567 married filing jointly) with 3 or more qualifying children
- \$43,038 (\$48,378 married filing jointly) with 2 qualifying children
- \$37,870 (\$43,210 married filing jointly) with 1 qualifying child
- \$14,340 (\$19,680 married filing jointly) with no qualifying children

Beyond these limitations, a number of other requirements exist to qualify – ask your tax center!

b. **Child Tax Credit** – Up to \$1,000 per child - but may not be applicable to all taxpayers. For those filing jointly, the tax credit begins to phase out at \$110,000 of modified adjusted gross income (MAGI) and at \$75,000 for taxpayers completing a single, head of household, or married filing separate tax return.

c. **Additional Child Tax Credit** – refundable tax credit for individuals unable to utilize the full benefit of their nonrefundable child tax credit.

d. **Child and Dependent Care Credit** – nonrefundable tax credit for working parents which reduces tax liability by a portion of child and dependent care expenses.

e. **Lifetime Learning Tax Credit** – nonrefundable tax credit up to \$2,000 per tax return for 20 percent of the first \$10,000 of eligible education expenses paid by the taxpayer for him/herself, a spouse or a dependent.

f. **Retirement Savings Contributions Credit** – nonrefundable credit for taxpayers with modified AGI below certain thresholds (depending on filing status) who make a contribution to a qualified retirement plan.

8. ***Should I itemize my deductions?***

a. The standard deduction rates were adjusted again for all filing statuses this year. To derive a benefit from itemizing deductions, the taxpayer must have significant expenses in the categories eligible for itemized deductions. Generally speaking, without significant out-of-pocket medical expenses, interest payments on an eligible home mortgage or very large contributions to eligible charities, taxpayers are better off taking the standard deduction.

b. The 2013 standard deductions are:

- \$6,100 for unmarried taxpayers or married taxpayers filing separately
- \$12,200 for married taxpayers filing jointly

- \$8,950 for taxpayers filing as head of household
- c. The additional standard deduction allowed for blind taxpayers and taxpayers age 65 or older at the end of the tax year will be \$1,200 if married filing jointly and \$1,500 if filing single. These deductions are cumulative.
- d. You may not be able to deduct all of your itemized deductions if your adjusted gross income is more than:
  - \$150,000 if married filing separately,
  - \$250,000 if single,
  - \$275,000 if head of household, or
  - \$300,000 if any other filing status.

**9. *Can service members and employees of the U.S. government stationed in Europe avail themselves of the Foreign Earned Income Exclusion?*** No, that exclusion does not apply to U.S. service members and other employees of the U.S. government. They must pay U.S. income tax, even if stationed overseas.

**10. *Do I need to pay state income tax if I live in Europe?***

Maybe. States can require their legal residents (domiciliaries) to pay income tax. A state has the authority to tax domiciliaries of that state, even if the domiciliary does not currently live in that state any longer due to extended overseas assignments - be they military or civilian. Each state's law is different, so to be sure you are complying with applicable state law, stop by your tax assistance center and check the rules for your state of domicile.

**11. *My spouse works on the local economy and pays taxes to the host nation. Do I need to report my spouse's income on our return?***

a. If your spouse is a U.S. citizen or resident and you are filing a joint return, you must report your spouse's income on your tax return. If you are filing separately, the spouse will only need to file if earned income is more than \$3,800. If the spouse must file, you then may be able to exclude up to \$97,600 of that income from your taxable income under the Foreign Earned Income Exclusion.

b. Spouses who are not U.S. citizens or residents do not need to report their income. It may be to your advantage, however, to elect to treat your spouse as a U.S. resident so you can file a joint return. Consult your tax center for an individual discussion of these issues.

**12. *Do I need to report any money I have in my foreign bank account?***

Possibly. Any United States person who has a financial interest in, or signature or other authority over any financial account in a foreign country, if the aggregate value of these accounts exceeds \$10,000 at any time during the calendar year, must report it. This report is called an FBAR, and stands for a Report of Foreign Bank and Financial Accounts. The form number is TD F 90-22.1. If you had more than \$10,000 in any foreign bank account during 2013 you **must** report this to the Treasury Department.

**13. *Why do I need to fill out the same paperwork (tax preparation info sheet, taxpayer info sheet, intake/quality review sheet) at my tax center every year if my info has not changed?*** Your tax assistance center needs the intake sheet filled out each year to ensure the accuracy of your tax return. Tax law changes every year, and you may not be aware of all

the changes. The forms help determine the tax you owe and the refund you may receive.

**14. *What do I do if my spouse is not available to sign the tax return?***

Generally, you must sign your tax return. There are a few narrowly drawn circumstances in which you can authorize another person to sign on your behalf. If you are overseas or incapacitated, you can grant a Power of Attorney to an agent to file and sign your return. These forms are available at your nearest legal assistance office. You may also use Form 2848 – the Power of Attorney provided by the IRS. Generally, joint returns must be signed by both spouses. However, when a spouse is overseas, in a combat zone, in a missing status, or incapacitated, a power of attorney may be needed to file a joint return. You can download the IRS Power of Attorney at <http://www.irs.gov/pub/irs-pdf/f2848.pdf>.

Soldiers who are deployed during the tax season may want to take advantage of the liberal extensions to file afforded them, make sure they have all necessary documents, corrected W-2s etc. In this case deployment orders should be attached and the return should be paper-filed. For more information regarding deployed spouses and extensions of filing deadlines, consult your tax assistance center.

**15. *Secure your tax records from identity theft.*** Identity theft occurs when someone uses your personal information, such as your name, SSN, or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

**16. *Taxpayer identification numbers.*** You must provide the taxpayer identification number for each person for whom you claim certain tax benefits. Generally, this number is the person's social security number (SSN). This applies even if the person was born in 2013. To apply for a Social Security Number for your US citizen child, you can download a fillable application (Form SS5) here <http://www.socialsecurity.gov/online/ss-5.pdf> If you got married to a non-resident alien in 2013, you must apply for a Taxpayer Identification Number (ITIN) for your foreign spouse. This is true whether you file jointly, separately, or head of household with a qualifying US citizen child. Filing single is not an option, if you were married on the last day of the tax year.

**17. *Foreign source income.*** If you are a U.S. citizen with income from sources outside the United States (foreign income), you must report all such income on your tax return unless it is exempt by U.S. law. This is true whether you live inside or outside the United States and whether or not you receive a Form W-2 or Form 1099 from the foreign payer. This applies to earned income (such as wages, sick pay in lieu of wages and tips) as well as unearned income (such as interest, dividends, capital gains, pensions, rents, foreign unemployment compensation and royalties etc). If you live outside the United States, you may be able to exclude part or all of your foreign source **earned** income. For details, see Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad.

**18. *Foreign financial assets.*** If you had foreign financial assets in 2013, you may have to file Form 8938 with your return. Check [www.irs.gov/form8938](http://www.irs.gov/form8938) for details.

**19. *Payment of taxes.*** You can pay your taxes online, by phone, or by check or money order. You can make a direct transfer from your bank account or use a credit or debit card. If you *e-file*, you can schedule an electronic payment.

**20. Refund on a late filed return.** If you were due a refund but you did not file a return, you generally must file your return within 3 years from the date the return was due (including extensions) to get that refund.

**21. Frivolous tax returns.** The IRS has published a list of positions that are identified as frivolous. The penalty for filing a frivolous tax return is \$5,000. **Filing erroneous claim for refund or credit.** You may have to pay a penalty if you file an erroneous claim for refund or credit. Please see: <http://www.irs.gov/Tax-Professionals/The-Truth-About-Frivolous-Tax-Arguments-Introduction>. This is particularly interesting as 2013 marks the 100<sup>th</sup> anniversary of the 16<sup>th</sup> **Amendment** to the United States Constitution allowing the Congress to levy an income tax without apportioning it among the states or basing it on the United States Census.

**22. Privacy Act and paperwork reduction information.** The IRS Restructuring and Reform Act of 1998, the Privacy Act of 1974, and the Paperwork Reduction Act of 1980 require that when we ask you for information we must first tell you what our legal right is to ask for the information, why we are asking for it, how it will be used, what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory under the law. A complete statement on this subject can be found in your tax form instructions.